

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE BRISTOL COUNTY WATER AUTHORITY

July 25, 2012

450 Child Street, Warren Office, Warren, RI

Pursuant to proper notice, the regular meeting of the Board of Directors of the Bristol County Water Authority was called to order by Chairman Klepper at 6:00 pm, 450 Child Street, Warren Office, Warren, Rhode Island. Executive Director Pamela Marchand, Legal Counsel Ms. Sandra Mack and the following Directors were in attendance at the commencement of the meeting:

Robert Allio, Joseph DeMelo, Kevin Fitta, John Jannitto, Allan Klepper, Frank Sylvia

Directors Absent: Raymond Palmieri, Paul Bishop

A motion was made by Director Jannitto and seconded by Director Allio to approve the minutes of the Board Meeting of June 26, 2012. Before voting, Director Fitta asked that the minutes be edited for clarification. With such clarification, it was unanimously

VOTED: That the minutes of the Board Meeting of June 26, 2012, be

approved.

Director Gosselin entered the meeting at 6:07 pm.

Upon motion duly made by Director Fitta and seconded by Director Allio, it was

VOTED: That the minutes of the June 26, 2012 Annual Meeting, be approved.

Motion passed 6 – 1, Director DeMelo abstained.

Director Allio commended the staff on the comprehensiveness of the minutes.

1. Executive Directors Report (attached) – Executive Director P. Marchand stated that there are no further comments to the report.

Chairman Klepper stated that he will be working with the Executive Director on updating the agenda, and that the board will now have an option for public input.

2. Financial Report, Manager of Accounting and MIS, Mr. Mark Champagne. Mr. Champagne stated that he is changing the format of the financial report. He will be adding an analysis of actual vs. budget numbers, revamping the budget, streamlining GL account

numbers. Mr. Champagne asked for input from the Directors.

3. Bond Financing Resolution, Legal Counsel. Ms. S. Mack – presented the Series Resolution. The Board, by this vote, will be authorizing the issuance of up to \$7.3 million in refunding bonds to currently refund the 1997 and 1998 bonds that are outstanding. She noted that the exact amount of the bond will be known on the day that the actual interest rate is fixed, and is now estimated to be \$6,740,000, which will be used to pay off the principal and interest on the 1997 and 1998 bonds, pay for the debt service reserve fund and pay for the costs of issuance. Ms. Mack explained the terms of the refunding bonds, and the savings to BCWA in each year which will total over \$500,000 (after paying for costs). The date of issuance of bond is August 1. Costs associated and reserve for market fluctuation will be approximately \$81,500. The 1997 and 1998 Bonds will be paid in full on August 20. BCWA will not have to pay a premium on the old bonds. The registered owner of the refunding bonds will be Washington Trust. She noted that payment dates for principal and interest will remain the same, as will the final maturity date of July, 2018.

The following motion was made by Director Sylvia and seconded by Director Allio

MOTION: To adopt the Series Resolution, in the form presented.

Motion passed unanimously (seven members in favor of the motion as required under Enabling Act)

4. Chairman Klepper asked to modify agenda to accommodate a presentation by Washington Trust.

Director Jannitto made the following motion, seconded by Director DeMelo

MOTION: To modify the agenda.

Motion passed unanimously.

Washington Trust – Presentation of Pension Investment Report for Year Ending 6/30 – Gene McCabe and Joan Caine.

Mr. Gene McCabe explained their services to the Board members and how the BCWA's portfolio for the retirement fund is managed by Washington Trust. He reviewed the investment performance of the fund over time in comparison to benchmarks. In response to questions raised by the directors, he noted that last year a large group of BCWA employees (7) retired at once and were paid in lump sum out of the portfolio (approximately \$2.2 million). There is currently \$4 million in the portfolio. Director Allio had several questions regarding the type of investments in the portfolio, the overall return on investment, and whether the current targeted return

of 8% could be earned in this market, and if not, what should that target should be? Mr. McCabe agreed that 8% was not realistic given current assumptions that stocks might yield 7-8% over time and the fixed income might yield 3-6% over time, with a blended rate of return on the current portfolio of approximately 5%.

Chairman Klepper asked whether the current allocation of the portfolio between equities (60%) and fixed income (40%) be changed to 70% equities and 30% fixed income? Mr. McCabe stated that increases should be made slowly. Director Allio asked if alternative investments should be considered, and the presenters noted that adding a REIT and a small cap fund made sense. The directors agreed that the item should be placed on the August agenda for further discussion. The directors also discussed better communication between the Authority and the fund managers as to the timing for funds to be used for retirees. Mr. Champagne notes that based on normal retirement ages, that BCWA retirements would approximate 1 ½ employees per year for the next 9 years starting in 2014. Mr. McCabe noted this was helpful information to structure the portfolio.

5. RFP for Legal Services – Presentation – Chairman Klepper

Chairman Klepper stated he had worked with Directors Allio and Palmieri finalizing changes to the RFP. Executive Director P. Marchand stated that it would be advantageous to have an attorney familiar with non-regulatory and regulatory utilities. This will be added in the evaluation process.

Director Fitta questioned how long the RFP would be advertised.

Chairman Klepper stated that the due date will be changed to September 7, 2012.

Director Fitta made the following motion, seconded by Director Sylvia

MOTION: To approve RFP for Legal Services, with noted changes, as presented.

Motion passed unanimously.

6. Rate Study - RFP

Executive Director P. Marchand stated that she had received 3 proposals ranging in price from \$32,200 to \$58,200, in her opinion all the firms were extremely qualified. Proposals were evaluated with excellent qualifications from all three firms. Executive Director P. Marchand stated that Municipal and Financial Services Group has done a lot of work with boards, commissions and the public.

Director Sylvia made the following motion, seconded by Director Allio

MOTION: To award the contract for the rate study to Municipal and Financial Services Group at a price not to exceed \$32,200, as presented.

Motion passed unanimously.

7. Status of Webpage Update

Engineering Technician, Ms. Susan Andrade stated that she had met with RWU Professor Al Cuttings and Ms. Kelly Shouse to further develop BCWA's website. A meeting with the Authority, Directors Allio and Klepper and other interested directors will be arranged.

Executive Director P. Marchand stated that she had met with a company today who will recommend a few different platforms for our website. All information will be given to the Board.

8. Strategic Planning Workshop – Presentation

Director Allio stated that it was an excellent initial meeting. He noted that key strategies have been identified, and a work session is scheduled for August 15 at 5:15 pm, with a draft of a strategic plan should be completed by September.

NEXT STEPS

- 1. Full Committee of the Board, Wednesday, August 8, 2012, 5:15 p.m., Warren Office, Boardroom, 450 Child Street.**
- 2. Board of Directors Monthly Meeting, Wednesday, August 22, 2012, 6:00 p.m., Warren Office, Boardroom, 450 Child Street.**

The Chairman made the following motion, which was duly seconded

MOTION: To accept the dates for the August meetings.

Motion passed unanimously.

The Chairman made the following motion, which was duly seconded

MOTION: To go into Executive Session, under RIGL 42-46-5 (2) to discuss Litigation.

All presented voted Aye.

The Board went into Executive Session at 7:45 pm.

The Board returned to open meeting at 8:00 pm.

The Chairman made the following motion, which was duly seconded

MOTION: To seal the Executive Session minutes.

All presented voted Aye.

The Chairman made the following motion, which was duly seconded

MOTION: To adjourn the regular meeting.

Motion passed unanimously.

There being no further business, the meeting was adjourned at 8:00 pm.

Kevin Fitta

Secretary

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Executive Director's Report for July 25, 2012

Contract Negotiations

The next negotiations will take place on July 30th. The union requested time to speak with their membership previous to completing the negotiations.

Bonds

We are proceeding with the refinancing of the bonds with Washington Trust for a rate of 2.04% (this may vary depending on the time of closing). They were the lowest rate of the banks that responded to our RFP. The plan is to close on August 1st• More information will be provided at the Board meeting.

At our request, the Department of Health is promulgating regulations

allowing the refunding of bonds through the RI Clean Water Finance Agency for bonds that were enacted prior the availability of water utility financing through the agency. As there are numerous restrictions on the administration of these funds, previous bonds did not meet the EPA regulations.

The \$500,000 new bond from RI Clean Water Finance Agency has been approved by the Agency. The DEM is in the process of reviewing the Environmental Assessment. Once approved, it will be sent to the DOH for a 30 day public notice. Therefore, the funding will not be available until late September.

Construction

The rewrite of our construction specifications have been completed. They were revised to comply with the relevant state specifications. The Franklin St. project specifications have been completed and will be advertised for bid next week. Construction is planned for late September, to coincide with the financing availability.

Water Rates

Three proposals for the rate study were received on 7/10. A recommendation is being prepared for the Board meeting.

East Bay Pipeline Interconnection with East Providence

East Providence withdrew their support for the preparation of design documents for the interconnection of the East Providence cross-bay pipelines with the BCWA cross-bay pipeline. They determined that they would prefer the funds to be spent on an evaluation and preliminary design of the connection to Pawtucket to East Providence to BCWA, including the section between East Providence and BCWA.

We will be working with CDM engineers for the proposed engineering services, and resubmit the modified plan to the State Water Resources Board for 50% funding.

The scope of the engineering services will include the preparation of a cost estimate for the construction sufficient to procure financing for the project.

Strategic Planning Workshop

The Board Workshop on Saturday, June 30th, was very successful. The Board identified critical issues, described desired values, and worked on a vision statement. Priority strategies were identified as: supply, customer programs, managerial systems and financial stability. A handout of the notes is enclosed in the Board packet. The next step will be for staff to develop the implementation programs to support the strategies, followed by another Board workshop. The next workshop is scheduled for Wednesday, August 15th, at 5:15 pm.

Dams

The State of Massachusetts has notified us that the Anawan Dam (low hazard) and the Shad Factory Dam (significant hazard) are required to be inspected by August 15th•

We are requesting a time extension to be able to send out a request for proposals for dam inspection services.

Requests for repairs to the Anawan Dam have been submitted to the RI Water Resources Board. They are seeking legal advice as to the legislative commitment to cover the cost of maintenance of the

Massachusetts supplies.

The Upper and Lower dams of the Kickemuit Reservoir are being inspected this week by the RIDEM.

RI Water Resources Board

We are working on the Demand Management Plan of the RI Water System Supply Management Plan due August 1st• The Plan sets a conservation goal of 65 gallons per person per day residential usage for water utilities in the state. The BCWA averaged 40 gallons per person per day for FY 1012.

Water Production

Attached is the daily production report for the fiscal year. We averaged 3.74 million gallons per day (MOD). As a comparison, FY 2011 averaged 4.09 MGD through the end of June. The total usage is 1.5% less than the previous fiscal year to date.